

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **September 10, 2002**

AGENDA ITEM NO.: **25**

CONSENT:

REGULAR: **X**

CLOSED SESSION:

ACTION: **X**

INFORMATION:

(Confidential)

ITEM TITLE **Adelphia Communications Corporation Bankruptcy**

RECOMMENDATION: Approval to participate in the formation of a local government committee, as approved by the United States Trustee overseeing the bankruptcy proceedings of Adelphia Communications Corp., to protect local franchising authorities' interests in the bankruptcy of Adelphia Communications Corporation and its subsidiaries, and approval of a resolution supporting such effort.

SUMMARY: The National Association of Telecommunications Officers and Advisors (NATOA) and the States of California and Nevada Chapter of NATOA (SCAN NATOA) have proposed forming a local government committee to represent the interests of local government franchising authorities in the Adelphia Communications Corp. bankruptcy proceedings. The formation of a local government committee requires appointment by the United States Trustee overseeing the Adelphia bankruptcy. Bankruptcy law provides, in some circumstances, for the formation of "committees" of parties sharing like interests in a bankruptcy proceeding. If the United States Trustee appointed an official committee of local government entities, the bankruptcy estate, i.e., Adelphia, would pay the professional fees incurred by the committee.

Attached is a memorandum from NATOA and SCAN NATOA that requests the City's participation in the formation of a local government committee.

PRIOR ACTION(S): None

BUDGET IMPACT:. None

CONTACT(S): Mike Goetz, Director of Information Technology

ATTACHMENT(S): Council Resolution
Letter from NATOA and SCAN NATOA dated August 16, 2002
Letter to Adelphia (Exhibit A)
Response from Adelphia (Exhibit B)

**A RESOLUTION OF THE CITY OF LYNCHBURG,
VIRGINIA, EXPRESSING SUPPORT FOR AND
PARTICIPATING IN A COALITION OF LOCAL
GOVERNMENT ENTITIES THAT ARE LOCAL
FRANCHISING AUTHORITIES IN COMMUNITIES
WHERE ADELPHIA COMMUNICATIONS IS A
CABLE TELEVISION FRANCHISEE, WHICH
COALITION WILL DEVELOP AND IMPLEMENT A
STRATEGY FOR PROTECTING THE INTERESTS
OF LOCAL GOVERNMENT, ITS RESIDENTS, AND
ALL ADELPHIA CABLE TELEVISION
SUBSCRIBERS IMPACTED BY THE ADELPHIA
BANKRUPTCY**

WHEREAS, Adelphia Communications, hereinafter referred to as Adelphia, is the City of Lynchburg's cable television franchisee;

WHEREAS, in recent months, Adelphia has undergone well-publicized financial difficulties, including the disclosure of approximately \$3.1 billion in previously undisclosed off-balance sheet obligations, the commencement of a Securities and Exchange Commission and two federal grand jury investigations, allegations of widespread corporate fraud, substantial defaults on bondholder debts, numerous shareholder lawsuits against Adelphia, and the arrest of five former Adelphia corporate executives;

WHEREAS, on June 25, 2002, Adelphia, and more than two hundred (200) of its subsidiaries, filed for bankruptcy protection;

WHEREAS, recent press reports and other information indicate that Adelphia attempted to sell many of its franchises to third-parties within the two weeks prior to the bankruptcy filing, but those negotiations failed;

WHEREAS, recent press reports and other information indicate that Adelphia has obtained \$1.5 billion in debtor-in-possession financing to sustain its operations while the bankruptcy is proceeding;

WHEREAS, in the context of a bankruptcy, Adelphia will be required to assume, assign, or reject the current franchise agreement with the City of Lynchburg, and during that process, the City of Lynchburg should play an active and important role so as to ensure that all franchise obligations are satisfied and local cable television subscribers receive the highest quality, uninterrupted, cable television service;

WHEREAS, Adelphia is currently in renewal negotiations with the City of Lynchburg whereby it seeks to extend its contract rights, which negotiations may be complicated by the bankruptcy filing;

WHEREAS, complicated legal and practical issues will arise during the course of the bankruptcy, which will require: (i) extensive analysis of local government's rights and obligations; (ii) preparation of financial documents and correspondence explaining the practical ramifications of the various proposals, including debt and equity restructurings that may arise; and (iii) a careful attention to the protection of the public health, safety, and welfare, the quality and range of cable television services, and the financial and performance based rights of local government;

WHEREAS, the anticipated bankruptcy may result in tension between local government's authority to control its public rights-of-way and duty to protect subscribers, Adelphia's creditors' desire to obtain maximum value from the Adelphia franchises with minimum delay, potential asset purchasers' desire to pay the lowest possible price and incur the minimum possible obligation when seeking to buy cable franchises from the bankruptcy estate, and the bankruptcy court's desire to quickly administer the case and confirm a bankruptcy plan;

WHEREAS, by forming a coalition, local governments can present a united front in the anticipated bankruptcy case, which will likely allow local government to assert more influence over the ultimate conditions under which Adelphia or some other cable operator will provide services to cable subscribers on a going-forward basis;

WHEREAS, bankruptcy law provides, in some circumstances, for the formation of "committees" of parties sharing like interests in a bankruptcy proceeding;

WHEREAS, press reports and other information indicate that Adelphia's management, as well as Adelphia's major creditors, are currently mapping out their respective bankruptcy strategies and committee formations, which are not likely to align with the fundamental objectives of local government with respect to cable television franchises;

WHEREAS, if an official committee of local government entities were appointed by the United States Trustee, the professional fees incurred by the committee would be paid by the bankruptcy estate;

WHEREAS, on July 12, 2002, the Executive Director of the National Association of Telecommunications Officers and Advisors (hereinafter referred to as NATOA) and the President of the States of California and Nevada Chapter of NATOA (hereinafter referred to as SCAN NATOA) sent a letter to Adelphia's General Counsel soliciting Adelphia's support before the United States Trustee to appoint a local government committee;

WHEREAS, on July 31, 2002, the County of St. Port Lucie, Florida, filed a motion in the United States Bankruptcy Court for the Southern District of New York for the creation of an official committee of local franchise authorities and a hearing date has been set for September 17, 2002;

WHEREAS, on August 15, 2002, Mr. Fisher responded to the NATOA/SCAN NATOA letter (Exhibit B) and indicated that Adelphia would remain neutral (neither support nor oppose) on the formation of a local government committee;

NOW, THEREFORE, BE IT RESOLVED that the Lynchburg City Council does hereby resolve as follows:

1. The Recitals above are hereby declared to be true, accurate, and correct.
2. Based upon and through the actions described in the above Recitals, as well as other written and oral evidence submitted at the Hearing, it is hereby determined that City of Lynchburg will benefit from participating in a coalition of cities, counties, and special districts that act as the local government committee, which would strive to protect local government, its residents, and all Adelphia cable television subscribers impacted by the Adelphia bankruptcy.
3. That the Lynchburg City Council hereby expresses support for the appointment of an official committee of local government entities by the United States Trustee.
4. That the Lynchburg City Council approves participation of the City of Lynchburg in the event such an official committee of local government entities is appointed by the United States Trustee.

Adopted:

Certified: _____
Clerk of Council

178L



The National Association of Telecommunications Officers and Advisors

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525 Broadway
Suite 100
Santa Monica, CA 90401
(909) 387-5967
(909) 387-9613

August 16, 2002

Dear Local Franchise Authority:

On June 25, 2002, Adelphia Communications and more than 200 of its subsidiaries filed for bankruptcy. The States of California and Nevada Chapter of the National Association of Telecommunications Officers and Advisors (SCAN NATOA) has been working hard trying to keep all Local Franchising Authorities with Adelphia (LFAA) aware of the numerous Adelphia issues facing all of us.

On June 20, 2002, SCAN NATOA hosted a forum in Ontario, CA, for interested LFAAs to interact with various consultants regarding health and safety issues, bankruptcy, insurance, performance bonds and other sureties, etc. The forum was well attended and received.

On July 10, 2002, the National Association of Telecommunications Officers and Advisors (NATOA) Board of Directors, after a briefing on the activity of SCAN NATOA in this area, voted to join in support of those efforts. On July 12, 2002, we sent a letter (Exhibit A) to Mr. Randall Fisher, General Counsel of Adelphia, soliciting Adelphia's support before the United States Trustee to appoint a local government committee.

On July 22, 2002, SCAN NATOA hosted a meeting in Anaheim, CA between interested LFAAs and Adelphia's Chairman, Erland Kailbourne. At that time and in discussions that followed, it was indicated that Adelphia would respond to our written request, and further that if support for the creation of the committee was not forthcoming, that the response would at least be neutral as to the creation of such a committee. That meeting was also very well attended and we were given an opportunity to openly discuss our issues and concerns with Mr. Kailbourne and Mr.

Fisher. On August 15, 2002, Mr. Fisher responded to the NATOA/SCAN NATOA letter (Exhibit B) and indicated that Adelphia would remain neutral (neither support nor oppose) on the formation of a local government committee

Discussed at the two aforementioned meetings was the formation of a local government committee, which requires appointment by the United States Trustee, overseeing the Adelphia bankruptcy. Bankruptcy law provides, in some circumstances, for the formation of "committees" of parties sharing like interests in a bankruptcy proceeding. If the United States Trustee appointed an official committee of local government entities, the bankruptcy estate, i.e., Adelphia, would pay the professional fees incurred by the committee.

Further, on July 31, 2002, the County of St. Port Lucie, FL, filed a motion for the creation of a committee of local governments, much along the lines of that requested in our letter to Adelphia. As a result of the filing of this motion, a hearing date has been set for September 17, 2002. Fourteen California jurisdictions will be joining the County of St. Lucie's motion.

Exhibit C is a proposed Resolution that is being forwarded to all LFAAs. Exhibits A and C clearly outline the need for a local government committee. The Resolution was the vehicle chosen by SCAN NATOA, which formally establishes the LFAA membership.

It is respectfully requested that your jurisdiction formally adopt the proposed Resolution (Exhibit C). Your expression of support and participation as a member of the Local Franchising Authorities with Adelphia (LFAA) would be greatly appreciated. Your participation would also clearly identify the need for the LFAA before the United States Trustee.

Upon adoption of the proposed Resolution, it is further respectfully requested that a copy of the signed resolution be mailed/faxed/e-mailed to:

Joe Hreha
Deputy Director
Community Services Department
City of Simi Valley
2929 Tapo Canyon Road
Simi Valley, CA 93063
Phone (805) 583-6755
Fax (805) 583-6301
jhreha@simivalley.org

Mr. Hreha has volunteered to be the repository for the adopted Resolutions, to provide copies to our LFAA representatives, and to periodically publish by e-mail a list of the members who have joined the LFAA on the SCAN NATOA and NATOA list serves.

September 6, 2002
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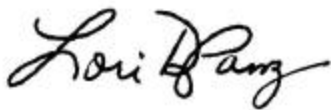
as possible. We are hoping to have all LFAAs to be members of the committee before the hearing on September 17, 2002. We would like to present these Resolutions to the United States Trustee at or before the September 17, 2002, hearing date on the motion filed by the County of Port St. Lucie.

We also anticipate that our grass roots effort will spread to all of the LFAAs across the United States. We will keep you posted as we continue to move forward.

On behalf of the Board of Directors of SCAN NATOA and NATOA, thank you for taking the time to participate in this endeavor. Hopefully, working together will help us to protect local governments interests, our residents, and all Adelphia cable television subscribers impacted by the Adelphia bankruptcy.

Should you have additional questions, or require assistance, please contact Lori Panzino at (909) 387-9600, lpanzino@sdd.sbcounty.gov or Libby Beaty at (703) 506-3275, lbeaty@natoa.org.

Sincerely,



Lori Panzino
President
SCAN NATOA



Libby Beaty
Executive Director
NATOA

Enclosures
Exhibit A – Letter to Adelphia
Exhibit B – E-mail from Adelphia
Exhibit C - Resolution

Exhibit A



**The National Association of
Telecommunications Officers
and Advisors**

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July 16, 2002

VIA FACSIMILE AND FIRST CLASS MAIL

Randall D. Fisher
Vice President, Legal Affairs
General Counsel and Corporate Secretary
Adelphia Communications
1 North Main Street
Coudersport, PA 16915

Re: In re Adelphia Company, Inc., et. al. ("Debtor")

Dear Mr. Fisher:

The purpose of this letter is to solicit Debtor's support in permitting the United States Trustee to appoint a separate official Committee of governmental entities ("Municipalities") pursuant to the provisions of Section 1102(a)(1) of the Bankruptcy Code. The States of California and Nevada Chapter of the National Association of Telecommunications Officers and Advisors (SCAN NATOA) and the National Association of Telecommunications Officers and Advisors (NATOA), as the representatives of Municipalities, have been authorized by their respective Board of Directors to organize and recommend such a committee to represent the interests of similarly situated constituents in the Debtor's Chapter 11 Case.

The Municipalities have interests at stake, which are NOT common to all creditors of the Debtor. The appointment of an additional committee of creditors is necessary to assure adequate representation of the Municipalities. Cable access serves vital functions for numerous Municipalities and their citizens. Cable access is part of an overall local communication network, which serves very specific regulatory, economic, health and safety concerns. Any possibility of an interruption of this service could have serious effects on local communities. By the same token, cable service subject to the franchise agreements of the Municipalities throughout the United States represents the core business of the Debtor. The Debtor and the Municipalities have had a long term and mutually vital relationship. To continue that relationship and to assist the Debtor in preserving the value of Debtor's franchise assets, the Debtor needs and stands to benefit from strong and effective participation from Municipalities in the Debtor's reorganization process.

Municipalities have a vested interest in the success of Debtor's reorganization. Municipalities intend to consult with the Debtor concerning the administration of its core business. Municipalities intend to participate in the formulation of a plan and lend expertise where applicable to the administration of the estate as well as the reorganization process.

With your written consent, pursuant to the provisions of the Bankruptcy Code, we will request the Office of the U.S. Trustee to appoint such an additional creditor's committee. We recognize that the decision to appoint additional committees is generally made on a case-by-case basis. Considerations such as the ability of the existing committee to function, the nature of the case, and the standing and desires of the various constituencies assume significance.

In cases such as this, where there are a significant number of separate debtors, a strong inference arises that additional committees may be well appropriate. At least one case in Northern District of Ohio has held that such appointment is required as a matter of law. Although, this per se rule has not been adopted in the Southern District of New York, several judges have signaled that multi-debtor, multi-business cases may be the appropriate set of circumstances to appoint additional committees.

Although it is true that conflicting interests are common in any reorganization case, circumstances here make it impossible for even the most diligent committee to adequately represent the interests of the Municipalities.

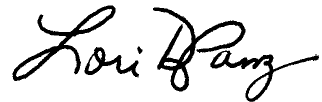
Another factor the courts consider is the timeliness of the request for an additional committee. Here the Municipalities are making the request within the first 120 days of the case. No plan has been proposed, in fact, it is the plan process in which the Municipalities, with the help of their counsel, wish to participate.

We believe the appointment of a separate Municipalities Creditors Committee is appropriate to insure adequate representation of the Municipalities. We will be pleased to provide any additional information you require and will meet with you at your convenience.

September 6, 2002
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Your courtesy and cooperation are greatly appreciated.

Very truly yours,

A handwritten signature in black ink that reads "Lori Panzino". The script is fluid and cursive, with the first name "Lori" and last name "Panzino" clearly legible.

Lori Panzino
President, SCAN NATOA

A handwritten signature in black ink that reads "Libby Beaty". The script is cursive, with "Libby" and "Beaty" written in a connected style.

Libby Beaty
Executive Director, NATOA

cc: Board of Directors

From: Randy Fisher

Sent: Thursday, August 15, 2002 3:49 PM

To: Elizabeth Beaty

Cc: Seth Davidson

Subject: Unsecured Creditors Committee

Dear Libby:

Erkie Kailbourne asked me to get back to you regarding Adelpia's position on the proposal of certain local franchising authorities for the formation of a franchise committee. After further consideration, despite anything you might have heard, Adelpia has decided that it will not submit an opposition to such a request.

Randall D. Fisher

Vice President and General Counsel

Adelpia Communications Corporation